

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No. _____

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors. _____

JUNE 2016 POST-EFFECTIVE OPERATING REPORT

JUNE 1, 2016 – JUNE 30, 2016
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

DEBTORS' ADDRESS: LEHMAN BROTHERS HOLDINGS INC.
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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: July 27, 2016

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SCHEDULE OF DEBTORS

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”)	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”)	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation	09-10558	2/9/2009
Merit LLC	09-17331	12/14/2009

The following Debtors’ chapter 11 cases were closed on January 28, 2016, pursuant to a final decree entered by the Bankruptcy Court (Docket No. 51920):

	<u>Case No.</u>	<u>Date Filed</u>	<u>Date Closed</u>
LB 745 LLC	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC	08-13664	9/23/2008	1/28/2016
CES Aviation LLC	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009	1/28/2016
LB Somerset LLC	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC	09-17505	12/22/2009	1/28/2016

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

Please email questions, with document references as relevant, to:

QUESTIONS@lehmanholdings.com

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

www.lehman-docket.com under the **Key Documents** tab and the **Responses to Questions Submitted** category

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUNE 1, 2016 – JUNE 30, 2016**

The information and data included in this June 2016 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of June 30, 2016:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities	
	LBHI	LBSF	LCPI	Other	Total			
Reserves for Claims:								
Disputed unsecured claims ⁽¹⁾	\$ 1,060	\$ 943	\$ 0	\$ 277	\$ 2,281	\$ -	\$ -	\$ 2,281
Tax claims ⁽²⁾	0	25	-	4	29	-	-	29
Distributions on Allowed Claims (not remitted) ⁽³⁾	112	0	0	1	113	-	-	113
Secured, Admin, Priority Claims and Other	64	15	1	8	88	-	-	88
Subtotal, Claims Reserves	1,236	984	1	290	2,511	-	-	2,511
Citigroup and HSBC ⁽⁴⁾	2,034	-	-	-	2,034	-	-	2,034
Other ⁽⁵⁾	178	1	0	25	204	37	37	240
Total	\$ 3,448	\$ 984	\$ 1	\$ 315	\$ 4,749	\$ 37	\$ 37	\$ 4,786

Totals may not foot due to rounding.

- (1) Represents the cash reserve for the principal amount of the disputed unsecured claims subsequent to the tenth Plan distribution on June 16, 2016.
- (2) The \$29 million at LBSF and LBCC represents the cash reserve for non-income tax matters.
- (3) Includes (i) \$74 million related to claimants subject to Office of Foreign Asset Control, and (ii) \$39 million related to other open items.
- (4) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$26 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (5) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$89 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$55 million; and (iii) other miscellaneous items of \$96 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities

Schedule of Cash Receipts and Disbursements

June 1, 2016 - June 30, 2016

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities	Total Debtors and Debtor-Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
					Total		
Beginning Free Cash and Investments (06/01/16)	\$ 765	\$ 291	\$ 101	\$ 310	\$ 1,468	\$ 264	\$ 1,732
Sources of Cash							
Commercial Real Estate	(a) 0	-	67	-	67	65	131
Loans (Corporate and Residential)	2	-	7	-	9	0	9
Private Equity / Principal Investing	(b) 2	-	-	-	2	148	150
Derivatives	-	21	-	-	21	-	21
Receipts from Affiliates	(c) 74	8	0	0	82	56	138
Other	(d) 133	1	1	0	135	1	136
Total Sources of Cash	210	30	75	1	315	270	586
Uses of Cash							
Non-Operating							
Commercial Real Estate	(0)	-	1	-	1	(0)	0
Other	(e) (130)	-	-	-	(130)	(0)	(130)
Operating Expenses	(f)						
Compensation and Benefits	(g) (5)	-	-	-	(5)	(1)	(6)
Professional Fees	(10)	-	(0)	-	(10)	(0)	(10)
Other	(1)	(0)	(0)	(0)	(1)	(1)	(2)
Total Uses of Cash	(146)	(0)	1	(0)	(146)	(3)	(148)
Total Cash From Operations	64	30	75	1	170	268	437
Pre-Petition Inter-Company Receipts	156	0	33	-	190	1	190
Post-Petition Inter-Company Receipts	294	-	6	176	476	0	476
Dividend Receipts	2	-	0	-	2	1	3
Total Inter-Company Transfers Receipts	(h) 452	0	40	176	668	2	670
Pre-Petition Inter-Company Disbursements	-	-	-	-	-	(190)	(190)
Post-Petition Inter-Company Disbursements	(150)	(24)	(26)	(270)	(470)	(6)	(476)
Dividend Disbursements	-	-	-	-	-	(3)	(3)
Total Inter-Company Transfers Disbursements	(h) (150)	(24)	(26)	(270)	(470)	(200)	(670)
Plan Distributions	(i) (1,585)	(907)	(125)	(73)	(2,690)	-	(2,690)
Receipts of Plan Distributions from Debtors	(j) 652	8	5	20	685	47	732
Payments to Creditors - Non-Controlled Affiliates	-	-	-	-	-	(2)	(2)
Payments to Creditors - Other	(0)	-	-	-	(0)	-	(0)
Total Payments to Creditors	(932)	(899)	(120)	(53)	(2,005)	45	(1,960)
Other	(0)	(0)	(0)	(0)	(0)	0	(0)
Reclass from/(to) Restricted Cash to Free Cash	(6)	633	20	151	798	1	799
Ending Free Cash and Investments (06/30/16)	193	31	90	314	628	380	1,008
Beginning Restricted Cash (06/01/16)	3,442	1,617	22	466	5,547	38	5,585
Disputed unsecured claims	21	(596)	(0)	(139)	(714)	-	(714)
Distributions on Allowed Claims (not remitted)	22	0	0	0	22	-	22
Secured, Admin, Priority Claims and Other	(37)	(37)	(20)	(13)	(106)	-	(106)
Other	(0)	-	(0)	0	(0)	(1)	(1)
Net Changes	6	(633)	(20)	(151)	(798)	(1)	(799)
Ending Restricted Cash (06/30/16)	3,448	984	1	315	4,749	37	4,786
Beginning Total Cash and Investments (06/01/16)	4,208	1,908	123	776	7,015	302	7,317
Net changes	(567)	(893)	(31)	(147)	(1,637)	115	(1,523)
Ending Total Cash and Investments (06/30/16)	(k) \$ 3,641	\$ 1,016	\$ 92	\$ 629	\$ 5,378	\$ 417	\$ 5,794

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities

Schedule of Cash Receipts and Disbursements

June 1, 2016 - June 30, 2016

Unaudited (\$)

Notes:

- (a) Cash collections include (i) \$66 million at LCPI from the sale of a hospitality property, and (ii) \$65 million at Debtor-Controlled Entities, primarily PAMI Holdings LLC, from the sales of residential land and an office building.
- (b) Cash collections at Debtor-Controlled Entities primarily include receipts from sales of various direct investments, including both publicly-traded and privately held positions, as well as distributions from limited partnership interests.
- (c) Receipts from Non-Controlled Affiliates include the following:

(\$ in millions)	LBHI	LBSF	LCPI	Other Debtors	Debtor- Controlled Entities	Total
LB RE Financing No.2 Limited	\$ -	\$ -	\$ -	\$ -	\$ 55	\$ 55
Lehman Brothers Inc. ("LBI") ⁽ⁱ⁾	45	-	-	-	-	45
Lehman Brothers Treasury Co. B.V. ("LBT") ⁽ⁱⁱ⁾	24	8	-	0	-	32
Other	5	-	0	0	1	6
	\$ 74	\$ 8	\$ 0	\$ 0	\$ 56	\$ 138

(i) Pursuant to a total return swap agreement related to distributions on LBI claims held by LBHI, LBHI transferred LBI's distribution of \$45 million to the counterparty of the swap agreement, as indicated below in footnote (e). Refer to the Quarterly Financial Report as of December 31, 2015 [Docket No. 52332] for further information.

(ii) Pursuant to agreements with LBT, LBSF and LBCS, LBHI deducted and withheld approximately \$32 million from its tenth Plan distribution ("Withheld Distributions") due from LBHI to LBT to offset amounts due to LBHI, LBSF and LBCS from LBT. The Withheld Distributions were then distributed to LBSF, LBCS and LBHI for inclusion in their respective tenth Plan distributions.

- (d) Other primarily includes net variation margin of \$132 million received on the Company's foreign currency hedging program related to various movements in the Euro, British Pound and Swiss Franc versus the US Dollar.
- (e) Other primarily includes (i) the purchase by LBHI of claims against certain Non-Controlled Affiliates of \$77 million from third party creditors, and (ii) the payment of \$45 million to the counterparty of a total return swap agreement, as described above in footnote (c).
- (f) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (g) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (h) Inter-Company Receipts and Disbursements include (i) a loan from LBCC to LBHI of \$120 million, secured by LBHI assets, (ii) an investment of \$24 million of LBSF's cash reserves for disputed claims in a secured note issued by LBHI, (iii) a partial repayment by LCPI to LBFP of \$25 million related to an outstanding loan, (iv) loans from LBFP and LBDP of \$100 million and \$50 million, respectively, to LBHI that were repaid in June, and (v) partial repayments on intercompany balances and dividend distributions.
- (i) Plan Distributions include distributions to holders of Allowed Claims and distributions related to Plan Adjustments from Participating Subsidiary Debtors (refer to Notice Regarding Tenth Distribution [Docket No. 52991] for additional information). These amounts also include Withheld Distributions from LBHI to LBT of \$32 million, as described above in footnote (c).
- (j) Receipts of Plan Distributions from Debtors include distributions to Debtors and Debtor-Controlled Entities.
- (k) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$13 million of cash balances at Debtor-Controlled Entities in Asia.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED
ENTITIES**

BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
JUNE 1, 2016 – JUNE 30, 2016

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1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities

Schedule of Professional Fee and Expense Disbursements

Jun 2016 (a)

Unaudited (\$ in thousands)

			Jun-16	Year-to-date
Alvarez & Marsal LLC	Staff Resources		\$ 807	6,488
Professional Fees				
Allister Brown Group LLC	Document Review for Litigations	519	2,126	
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	216	848	
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	213	1,327	
F1 Technical Solutions, INC	Document Review for Litigations	278	1,459	
Jones Day	Litigation Counsel	724	4,010	
Kirkland & Ellis International LLP	Special Counsel - Affiliates	249	450	
Lennox Paton	Legal Experts for Litigations	291	313	
Milbank Tweed Hadley & McCloy, LLP	UCC Litigation Committee and Litigation Counsel	-	68	
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	27	837	
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	1,590	11,574	
Recovco Mortgage Management LLC	RMBS - Private Label Litigation	1,201	8,207	
Rollin Braswell Fisher LLC	Special Counsel - RMBS	563	3,455	
Weil Gotshal & Manges	Lead Counsel - Debtors	1,065	6,698	
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	599 (b)	2,527	
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	871	4,002	
US Trustee Quarterly Fees		-	368	
Other Professionals	Various	1,829 (c)	12,112	
Sub-total Professional Fees		10,237	60,383	
Total Professional Fees (including A&M)			\$ 11,044	66,871
Alvarez & Marsal LLC	Incentive fees	-	2,012	
Houlihan Lokey Howard & Zukin Capital Inc.	Incentive fees	-	402	
Total Incentive Fees		-	2,414 (d)	
Total Professional and Incentive Fees			\$ 11,044	69,285

Note: The above list includes vendors that have been paid over \$1 million on a trailing 12 month basis and vendors that were paid over \$150 thousand for the month reported.

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Reflects professional fees incurred over multiple months.

(c) Other Professionals reflect disbursements, including expert witnesses fees, to approximately 100 vendors.

(d) Reflects incentive fees related to the Ninth Distribution to holders of Allowed Claims. Refer to Docket No. 32470 and Docket No 32155 for additional information on Alvarez & Marsal and Houlihan Lokey incentive fees, respectively.